



NEWS RELEASE

Tennessee Regulatory Authority

Media Contact:

Julie Woodruff, 741-2904 ext. 124
Email: julie.woodruff@state.tn.us

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ASSESSMENT OF THE LONG-DISTANCE FEDERAL EXCISE TAX ENDED

On May 25, 2006, the United States Treasury Department announced it is conceding the legal dispute over the 3% federal excise tax on long-distance telephone service and that the Internal Revenue Service (IRS) will issue refunds of tax on long-distance service for the past three years.

The federal excise tax was initially imposed on Americans to finance the Spanish-American War. At this time, phone service was not affordable to most Americans and, thus, was viewed as a luxury. Since that time, phone service has changed significantly and the costs of the Spanish-American War, which ended on December 10, 1898, have been paid.

In addition to ending the collection of the tax, Treasury Department Secretary John Snow called on Congress to repeal the tax in its entirety. "I applaud the Treasury Department's decision and support Secretary Snow's appeal to Congress," stated Ron Jones, Chairman of the Tennessee Regulatory Authority.

According to the Department of Treasury and Internal Revenue Service, citizens should know the following:

- No immediate action is required by taxpayers.
- Refunds will be part of 2006 tax returns filed in 2007.
- Refund claims will cover all excise tax paid after February 28, 2003 on long-distance service and will include interest.
- The announcement does not affect the federal tax on local service or any state or local taxes.
- The IRS is working on a simplified method for filing a claim.
- Further information can be found at www.irs.gov in IRS Notice 2006-50.

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